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REPORT

OF THE

HON. ISRAEL T. HATCH

UPON THE

COMMERCIAL RELATIONS

OF THE

UNITED STATES WITH THE DOMINION OF CANADA,

TRANSMITTED TO THE

HOUSE OF REPRESENTATIVES BY THE SECRETARY OF THE TREASURY JANUARY 12, 1869,
AND REFERRED TO THE COMMITTEE ON COMMERCE.



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RE P O R T .

WASHINGTON, January 12, 1869.

To the Honorable HUGH McCULLOCH,
Secretary of the Treasury:

SIR: The resolution of inquiry passed by the House of Representatives, July 6, 1866, and received by me, called for, first, a statement of the trade and commerce of the United States with the British North American provinces, and the revenue derived therefrom since the termination of the reciprocity treaty, and all changes in Canadian tariffs since that date; second, a statement of the comparative importance of American and Canadian channels of commerce or transportation of property from the west to the seaboard.

On the 6th of May, 1867, my report in answer to these inquiries was submitted to the House of Representatives. At that time it was impossible to reach conclusions on several important points with a satisfactory degree of certainty. Scarcely had one fiscal year of the United States then passed since the treaty had ceased. A large amount of the articles on hand free under the treaty was hurried forward from the provinces as the time for its termination approached, to avoid the duties levied afterwards. A corresponding diminution in the importations immediately subsequent naturally ensued. Hence a comparison of the trade during the last year of the treaty and that next afterwards would have yielded no conclusive inferences.

With the termination of the treaty our commercial intercourse with the provinces is again open for investigation and legislation, or diplomatic action. Renewed attention has been drawn to it by the efforts of the Canadian authorities to remove the dissatisfaction of their people and promote the prosperity and consolidation of the new dominion by restoring the course of trade under the treaty, thus giving its natural commercial connections and market to each province.

I now beg leave to submit a further report embodying more recent information, the result of the examination of two fiscal years, in answer to the resolution of inquiry by the House of Representatives, and in pursuance of your instructions to me dated March 27, 1868.

TRADE BETWEEN THE UNITED STATES AND CANADA BEFORE THE TREATY.

The principle of freedom in our commercial exchanges with the North American British provinces has at all times received the approbation of the leading statesmen of this nation, without distinction of party. It has become universally popular, and is decidedly in harmony with the national progress and enlarged spirit of the age. The territory of the provinces is extended on a boundary indented with our own across the continent. Climate, soil and the cost of labor—the main elements of value in cereal productions—are nearly alike in both countries. These similitudes no doubt suggested the idea of reciprocal trade and commerce. The legislation and diplomacy of the two countries finally gave it a practical, though partial, application in the adoption of the so-called reciprocity treaty. The principle of the treaty itself was to permit the interchange of the products of each country free of duty.

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It was a formal movement in favor of virtual, if not literal, reciprocity; presenting to the world the example of two contiguous nations abandoning suspicion of injury from each other, and practicing in their intercourse the best principles professed in modern civilization. The omissions in the treaty and its limited character led to its termination.

A brief statement of our commerce with the British provinces, and the revenue derived from them before the adoption of the treaty, and during its decade, is necessary to complete a proper history of the successive changes produced in our commercial relations by its adoption and termination.

EFFECTS OF THE TREATY ON THE REVENUE OF THE UNITED STATES.

The treaty led to a large diminution of our revenue upon the northern frontier. In 1854, the last year unaffected by the treaty, the revenue upon articles included in the free list during subsequent years, and imported from the province of Canada alone, amounted to more than \$1,243,403, and from all the British provinces now included in the dominion, was \$1,524,457. Assuming this as a basis of calculation in the ordinary mode of computing an increase of revenue for the five succeeding years, the revenues would have been \$9,257,586 in the aggregate, or \$1,851,517 annually. On further examination it would be found that the revenues would have increased in the same ratio during the remaining years of the treaty. Official Canadian reports show that in 1859 the amount of duties collected by Canada on imports, the products of American industry from the United States, was \$1,825,135, in 1860 \$1,759,928, and in 1861 \$1,584,892. During these three years the whole value of property imported into this country from Canada, upon which duty was levied, was only, in 1859, \$434,532, in 1860 \$358,240, and in 1861 \$227,859. An examination of subsequent years yields similar results.

The average amount of duty annually levied and collected on Canadian imports in these three years would not exceed \$75,000 annually towards defraying the yearly expenses of collection and guarding a frontier of inland coast six thousand miles in extent.

On a close examination it would be found that a large proportion of the duty-paying articles imported from Canada consisted of commodities not produced in that country.

| | 1856. | 1857. | 1858. | 1859. |
|--|-----------|-----------|-----------|-----------|
| Total amount of duty-paying articles imported into the United States from Canada | \$640,375 | \$691,097 | \$313,953 | \$504,969 |
| Iron, hardware, and salt not then produced in Canada | 503,995 | 531,011 | 193,595 | 319,555 |
| Amount of Canadian and other goods charged with duties in the United States | 136,380 | 160,086 | 119,358 | 185,414 |

The preceding statement demonstrates that during these years we had not collected annually duties on much more than \$100,000 in value of merchandise actually produced in Canada, yielding, on an average of 20 per cent., about \$25,000 annually. The following is a comparative statement of the productions of each country imported into the other and charged with duties in it, showing that of the productions of American

labor, Canada taxed forty-five times as great an amount in value as we taxed of her productions:

| | 1856. | 1857. | 1858. |
|---|-------------|-------------|-------------|
| Products of United States paying duty in Canada... | \$7,981,284 | \$6,203,320 | \$4,524,503 |
| Products of Canada paying duty in United States... | 136,380 | 160,086 | 119,358 |
| Value of American products charged with duty in Canada above the Canadian products charged with duty in the United States | 7,844,914 | 6,043,234 | 4,405,145 |

The records of subsequent years confirm the same conclusion, but it is not desirable to present unnecessary or redundant statistics, which are only useful in political economy to supply examples and illustrations of general principles. They can never be the basis of principles which are grounded in the nature of things—the relation of cause to effect—the only safe teacher of measures which are best to adopt in every possible case.

The United States and Canada, throughout the existence of the treaty, presented the anomalous spectacle of two border nations, with an array of custom-houses, extending along their whole coterminous frontiers, sustained in our country at an expense greatly exceeding the revenues collected through them, while on the opposite shore was found an equally extended cordon of imperial customs' buildings, collecting large revenues from taxing American commodities. This result was produced by successive tariffs in Canada, inflicting higher duties (in some cases almost prohibitory) upon the chief importations of the products of American labor. Of nearly all the articles named and made free by the treaty, a surplus was common to both countries; but Canada, then as now, had no markets so profitable as those of the United States, and no outlet for her surplus at all worthy of mention, except this country, where they then as now contributed to the revenue. Her legislation reversed the ordinary course of trade, that a nation buys where it sells. Her people sold to us, and were prevented by her tariffs from buying of us.

The motives and objects of her tariffs are not left to conjecture. Mr. Galt, financial minister of Canada, reports, March 1, 1860, page 36, as follows:

By extending the *ad valorem* principle to all importations, and thereby encouraging and developing the direct trade between Canada and all foreign countries by sea, and so far benefiting the shipping interests of Great Britain—an object which is partly attained through the duties being taken upon the value in the market where last bought—the levy of specific duties for several years had completely diverted the trade of Canada in teas, sugars, &c., &c., to the American markets, (our Atlantic cities,) and had destroyed a very valuable trade which formerly existed from the St. Lawrence to the lower provinces and West Indies. It was believed that the competition of our canals and railroad system, (via Portland,) together with the improvements in the navigation of the lower St. Lawrence, justified the belief that the supply of Canadian wants might be once more made by sea, and the benefits of this commerce obtained for our own merchants and forwarders. Under this conviction, it was determined by the government to apply the principle of *ad valorem* duties.

From the same, page 38:

Any increase of duty which has been placed on English goods is quite indemnified by the decreased cost at which our canals, railways, and steamships enable them now to be delivered throughout the province, and if the question were one of competition with Canadian manufacturers, the English exporter is quite as well off as before, while as compared with the American his position is greatly improved.

TRADE WITH CANADA SINCE THE TREATIES, AND REVENUE NOW DERIVED THEREFROM.

I now submit a statement of trade and commerce of the United States with North American British provinces, and revenues derived therefrom, as furnished to me by the collectors of the different districts:

Total value of duty, paying imports and exports from and to the British provinces, for the years ending June 30, 1867 and 1868, and duties received.

| United States, ports of— | Value of imports. | Value of exports. | Duties received in gold. |
|--------------------------|-------------------|-------------------|--------------------------|
| Chicago | \$397,766 00 | \$1,823,838 00 | \$148,748 95 |
| Milwaukee | 28,184 00 | 1,101,153 00 | 7,979 99 |
| Detroit..... | 726,287 00 | 1,651,259 00 | 140,250 74 |
| Dunkirk | 9,847 00 | ..... | 2,008 69 |
| Sandusky | 8,917 00 | 3,249,00 | 1,443 63 |
| Cleveland | 530,724 57 | 383,937 00 | 105,828 57 |
| Suspension Bridge | 2,478,246 00 | 97,215 00 | 324,348 61 |
| Oswego | 7,604,152 28 | 1,079,320 00 | 1,427,545 65 |
| Ogdensburg | 1,171,424 00 | 279,996 00 | 212,051 64 |
| Cape Vincent..... | 703,150 00 | 53,937 00 | 118,036 57 |
| Boston* | 2,657,838 00 | 3,011,818 00 | 531,567 00 |
| New York | 980,963 00 | 3,517,143 00 | 315,481 00 |
| Erie | 70,266 00 | 199,686 00 | 16,353 00 |
| Portland | 2,122,240 00 | 2,352,825 00 | 159,820 69 |
| Grand Haven | 920 75 | ..... | 108 71 |
| Pembina | 100,936 00 | 362,458 00 | 16,186 00 |
| Plattsburg..... | 1,981,587 00 | 513,326 00 | 376,889 43 |
| Toledo | 235,518 00 | 180,954 00 | 33,706 00 |
| Rochester | 730,704 00 | 145,036 00 | 136,195 41 |
| Buffalo | 3,377,247 00 | 328,792 00 | 553,679 00 |
| Port Huron..... | 1,433 12 | 1,298,186 00 | 45,736 20 |
| Burlington..... | 2,300,475 00 | 4,644,900 00 | 470,907 00 |
| Total..... | 25,918,350 72 | 21,848,074 00 | 5,144,166 25 |

* Some of the collectors included free goods in their returns; carefully excluding these, the actual duty-paying imports were \$22,919,539.

† Estimated.

Of the fiscal year 1867-'68 it has not been deemed necessary to give the details. The following are its aggregate results:

| | |
|------------------------------------|-----------------|
| Value of duty-paying imports | \$24,226,683 00 |
| Exports..... | 20,343,507 00 |
| Duties received in gold..... | 5,400,000 00 |

The following is a condensed view of the commerce of Canada with all nations, exhibiting the value of her exports to and imports from Great Britain, her colonies, and foreign countries, including the United States, for the fiscal year ended June 30, one year before and one year after the termination of the reciprocity treaty. The tables are copied from the official returns of Canada. The intermediate year of 1866 is omitted, the year when the treaty ended. It was exceptional in its character, being large quantities of different articles having been imported into the United

States in anticipation of the additional price realized for them when the duties on Canadian products were again enforced :

| Countries. | Value of exports. | Value of imports. |
|-------------------------------|-------------------|-------------------|
| 1865—Great Britain..... | \$14,726,008 | \$21,035,871 |
| North American colonies..... | 1,065,057 | 511,570 |
| British West Indies..... | 41,313 | 209,329 |
| United States of America..... | 25,812,923 | *13,589,055 |
| Other foreign countries..... | 835,850 | 3,274,644 |
| Total..... | 42,481,151 | 38,620,469 |

* Exclusive of specie or free goods.

The following tables show the trade of the dominion of Canada with the United States and other countries for 1867, the first year after, and unaffected by, the termination of the treaty :

Summary statement of the value of imports, duty collected, &c., in Ontario and Quebec during the fiscal year ending June 30, 1867.

| Imports. | Total value. | FROM WHAT COUNTRY IMPORTED. | | | | | Amount of duty. |
|--|--------------|-----------------------------|------------------------------------|----------------------------------|----------------|--------------------|-----------------|
| | | Great Britain. | British colonies of North America. | British colonies of West Indies. | United States. | Foreign countries. | |
| Dutiable goods .. | \$35,752,744 | \$26,227,818 | \$388,673 | \$130,264 | \$6,060,013 | \$2,945,976 | \$7,001,660 77 |
| Free goods | 16,890,926 | 7,833,151 | 719,700 | 7,538 | 7,997,137 | 323,400 | ..... |
| Coin and bullion | 6,411,312 | 199,540 | ..... | ..... | 6,211,752 | 20 | ..... |
| Foreign reprints of British copy-right works.... | 4,005 | ..... | ..... | ..... | 2,005 | ..... | ..... |
| Total..... | 59,048,987 | 34,260,509 | 1,108,373 | 137,802 | 20,272,907 | 3,269,396 | 7,001,660 77 |

Summary statement of value of exports from Ontario and Quebec, articles of Canadian produce, during the fiscal year ending June 30, 1867.

| Exports. | Total value. | Great Britain. | British North America. | West Indies. | United States. | Foreign countries. |
|---------------------------------------|--------------|----------------|------------------------|--------------|----------------|--------------------|
| Produce of the mines | \$541,234 | \$301,105 | \$6,722 | ..... | \$233,327 | \$80 |
| Produce of the fisheries | 784,636 | 113,936 | 113,758 | \$16,860 | 115,767 | 424,315 |
| Produce of the forest | 13,948,648 | 6,889,783 | 31,011 | 3,408 | 6,831,252 | 193,194 |
| Animals and their products | 6,118,639 | 2,125,271 | 299,026 | 3,967 | 3,686,191 | 14,184 |
| Agricultural products | 16,765,981 | 2,770,293 | 2,776,008 | 8,983 | 11,185,227 | 25,470 |
| Manufactures | 895,767 | 186,200 | 183,177 | 20,597 | 459,391 | 46,402 |
| Coin and bullion | 2,916,034 | 511,650 | ..... | ..... | 2,404,384 | ..... |
| Other articles | 416,121 | 48,878 | 18,887 | ..... | 347,929 | 427 |
| Ships built at Quebec | 1,005,076 | 818,440 | ..... | ..... | ..... | 186,636 |
| Goods not the produce of Canada | 1,678,083 | 1,196,948 | 130,608 | ..... | 320,332 | 30,195 |
| Total value of exports..... | 45,070,219 | 14,962,504 | 3,549,197 | 53,815 | 25,583,800 | 920,903 |

The main features of the trade of the dominion of Canada with the United States and Great Britain through a series of years are correctly expressed in the above tables, which are not always accurate in details. The changes in them from year to year which they may exhibit will be found to exist in these fluctuations in trade produced by the laws of supply and demand. An examination of the above Canadian returns shows that the commerce between the two countries has not been materially disturbed by the termination of the reciprocity treaty, although the United States have received a large addition to their revenue from the duties paid into our treasury on Canadian productions. It discloses the additional fact that the Canadians now, as in times past, sell to us and buy of Great Britain. The contrast between \$75,000, the amount of revenue annually received by the United States from Canadian imports during the operation of the treaty, and the large amount received since its termination, will occur to every one. It will also be remembered that the duties exhibited in the revenue tables already given are in gold. Computed in our currency they exceed \$7,000,000, annually. It is a significant and important consideration that, during the whole existence of the treaty, a period of 10 years, the United States collected \$750,000, while in the two fiscal years elapsed since its termination, instead of \$750,000, we have collected about \$14,000,000, in our own currency. While our revenue has been thus increased there has been no loss of trade.

In a previous report it was shown that, for a large proportion of her productions, Canada is placed in the position of a farmer who has only one customer. Hence the value of our markets has always been highly appreciated by the Canadians. Their parliament has not hesitated to call attention to the great difference in price of the same articles in the two countries; and the practical test of the whole question is shown by the very large importations made from Canada into this country, even now when high duties are paid on them. Nine-tenths of the Canadian exports to the United States consist of products of the forest, animals and their products, and the products of the farm. They do not sensibly affect our markets, and are less in value than those of any agricultural State in the west. They have no more perceptible effect on our markets than the waters of a stream collected from a small surface have upon one of our inland seas.

In fact, the daily prices current at Montreal and Toronto, each the commercial metropolis of its province, and the index to the prices throughout the whole "dominion," are governed entirely by the market prices in the United States, exchange, duty, freight, and expenses being added. This is shown by the daily commercial reports in Canada. The view thus taken is confirmed by the collectors of customs at all the leading ports on the northern frontier, as will be seen by extracts from their reports to me, given in the appendix hereto, (see A.)

The comparative magnitude of the flour and grain trade of New York and Montreal—each the commercial centre of its own country—is shown by the following tables, compiled by Elmore H. Walker, a gentleman who has rendered great services to the public by diffusing much valuable statistical information as to our inland commerce.

Tables showing the receipts and exports of flour and grain at New York and Montreal for eleven months of the last four years.

RECEIPTS.

| | 1868. | 1867. | 1866. | 1865. |
|--------------------|------------|------------|------------|------------|
| Flour.....bbls.. | 2,664,497 | 2,409,476 | 2,494,979 | 2,288,393 |
| Wheat.....bus.. | 12,700,198 | 9,448,974 | 3,546,831 | 7,810,347 |
| Corn.....bus.. | 18,672,678 | 14,600,260 | 20,689,852 | 14,794,440 |
| Oats.....bus.. | 9,905,916 | 7,890,554 | 7,689,352 | 9,056,799 |
| Barley.....bus.. | 2,749,354 | 2,538,730 | 4,832,766 | 2,904,050 |
| Rye.....bus.. | 760,915 | 745,678 | 1,048,675 | 677,503 |
| Peas.....bus.. | 368,491 | 655,385 | 406,582 | 140,586 |
| Total bushels..... | 45,157,552 | 35,879,586 | 49,223,058 | 35,383,725 |

EXPORTS.

| | 1868. | 1867. | 1866. | 1865. |
|--------------------|------------|------------|------------|-----------|
| Flour.....bbls.. | 944,730 | 821,302 | 849,297 | 1,270,110 |
| Wheat.....bus.. | 5,421,990 | 4,196,123 | 389,605 | 2,091,125 |
| Corn.....bus.. | 5,723,395 | 7,310,409 | 10,816,301 | 3,480,013 |
| Oats.....bus.. | 81,723 | 118,345 | 1,103,655 | 70,816 |
| Barley.....bus.. | ..... | 887,863 | 801,380 | ..... |
| Rye.....bus.. | 153,093 | 417,995 | 211,231 | 170,694 |
| Peas.....bus.. | 178,818 | 601,412 | 168,973 | 74,049 |
| Total bushels..... | 11,619,028 | 13,531,147 | 13,491,145 | 5,886,697 |

RECAPITULATION.

| Year. | Receipts. | | Exports. | |
|-----------|------------------------------|-------------------------------|----------------------------|-------------------------------|
| | Flour. | Grain. | Flour. | Grain. |
| 1868..... | <i>Barrels.</i> 2,664,497 | <i>Bushels.</i> 45,157,552 | <i>Barrels.</i> 944,730 | <i>Bushels.</i> 11,619,028 |
| 1867..... | 2,409,476 | 35,879,586 | 821,302 | 13,531,147 |
| 1866..... | 2,494,979 | 49,223,058 | 849,297 | 13,491,145 |
| 1865..... | 3,288,393 | 35,383,725 | 1,270,110 | 5,886,697 |

The following will show the receipts of flour and grain at Montreal, by rail, river, and canal, from January 1 to December 1, 1868, and exports for the same period, compared with corresponding period in 1867:

| | Receipts. 1868. | Receipts. 1867. | Exports. 1868. | Exports. 1867. |
|----------------------|--------------------|--------------------|-------------------|-------------------|
| Flour..... bbls..... | 748,383 | 662,400 | 503,946 | 200,369 |
| Wheat..... bus..... | 2,406,232 | 2,798,255 | 1,123,717 | 1,446,637 |
| Corn..... bus..... | 1,061,819 | 891,605 | 735,047 | 643,528 |
| Oats..... bus..... | 125,802 | 280,507 | 856,192 | 898,000 |
| Barley..... bus..... | 102,195 | 127,421 | 458,915 | 166,038 |
| Rye..... bus..... | 2,797 | 128,765 | 6 | 21,916 |
| Peas..... bus..... | 512,778 | 1,298,106 | 642,974 | 1,741,558 |
| Total bushels | 4,211,623 | 5,524,659 | 3,816,851 | 4,917,679 |

The essential and unchangeable characteristics of this trade are beyond the influences of temporary legislation on either side, and must be governed by those leading facts as to geography, climate, and configuration of the continent, which were more particularly set forth in a previous report already submitted to Congress.

The views then expressed have since been confirmed by the unsuccessful efforts of the Canadians to negotiate treaties of commerce in a southward direction with Cuba, the West Indies, Mexico, Brazil, as well as other countries in South America, and to extend their trade with India and China. The distance to Cuba from Montreal, by way of the St. Lawrence, is at least three times as great as through the United States.

THE RIVAL CARRYING SYSTEMS.

To understand the influence of our respective geographical positions upon the commercial intercourse between the United States and the "Dominion of Canada," it should be known that Port Colborne, on Lake Erie, in the province now called Ontario, is the entrance to the Welland canal, and thence, through Lake Ontario, to the St. Lawrence canals. Buffalo, in the United States, and opposite Port Colborne, is the entrance to the Erie canal, leading through our own territory, and *via* the Hudson river, to our seaboard.

All western commerce occupies precisely the same status to these important points, whence diverge the two lines of water communication, frequently regarded as the great rival routes for the trade of the northwest. A glance at the map will confirm this fact. The proposed Niagara ship canal is on the American side, and parallel to the Welland canal, and if constructed, and of any commercial utility, must form the American link in the St. Lawrence canals through Canada.

The following is a statement of the relative distances, *via* the St. Lawrence canals and the Erie canal, to New York and Boston, the two chief northern ports of the United States—the saving of distance in sending to New York being an equal saving to all the more southern and Atlantic ports:

| | Miles. |
|---|--------|
| Distance from Port Colborne to Montreal..... | 500 |
| Distance from Montreal, through river and Gulf of St. Lawrence, to track of commerce in the Atlantic..... | 1,000 |

| | Miles. |
|--|--------|
| Distance from Port Colborne, <i>via</i> St. Lawrence canals, to Boston | 2,500 |
| Distance from Port Colborne, <i>via</i> St. Lawrence canals, to New York | 3,000 |
| Distance from Buffalo, <i>via</i> Erie canal and Hudson river, to our seaboard | 500 |

During the six months when the St. Lawrence route is open, it is seldom safe, owing to strong currents, immense masses of ice, and fogs almost perpetual, the latter being caused by the meeting of the tropical waters with those brought down from the polar seas.

These geographical facts must determine, through all time, the supremacy of our markets and our carrying systems for the inland commerce of North America. Adverse legislation by our foreign neighbors may, for a time, deflect portions of our inland and foreign commerce from the natural channels of ingress and egress to and from our Atlantic cities, but only to re-act to the loss of those who have the temerity to try the experiment.

We have seen by the tables already presented, that only a small proportion of the grain carried to New York is exported abroad. Of these exports a large share is sent to the West Indies and other southern countries. As the route through our Atlantic ports to the great grain-consuming and manufacturing regions of our eastern States, as well as to the foreign and domestic markets south of New York, and supplied with grain and flour from the United States, is much shorter through our own country than *via* the St. Lawrence, the value of the English grain market is worthy of investigation, although, even for this, the route through the United States has superior advantages.

COMPARATIVE IMPORTANCE OF THE ENGLISH GRAIN MARKET.

The importance of England as a mart for grain produced on this continent is greatly overrated. In 1848 the "corn laws" were repealed. Our farmers confidently expected that a large market would be opened for their grain. But the importations into Great Britain during the 12 years subsequent to the repeal were five times as large as those from the United States within that period. Our home market had increased so much that our exports of breadstuffs to England had decreased at least 27½ per cent. in proportion to our population. Milwaukee and Chicago alone often send off in 10 days more grain and flour than England takes from us in a year, reckoning the average of the last 20 years. These statements are not based upon the data of isolated seasons. The position of the wheat-producing portions of the British possessions on this continent makes New York, for them, as well as for the United States, the great northern continental depot for shipping, whence low freights, arising from brisk competition, are found, to which return cargoes can be had, and whence, throughout the whole year, the merchant can transmit produce either to Old England, New England, or southern markets—thus presenting to the western farmer and shipper great advantages over Montreal.

THE AGGRESSIVE POLICY OF CANADA.

Canada has, during the last quarter of a century, expended \$138,235,413 in the construction of unprofitable railways and canals, with no local traffic, population, or commercial wants commensurate with such stupendous undertakings, but relying upon the diversions of our inland commerce to sustain them. The motives of her policy are almost as well

Montreal,
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known as the works she has constructed. The Hon. A. T. Galt, the Canadian minister of finance, in a late speech, on behalf of the government, said:

We have no trade ourselves which would require enlargement of the canals; no trade which would justify us in enlarging them; we could only be repaid for such improvements by obtaining the American States' trade and making it pay tolls or otherwise contribute to our revenue.

How far our government will be willing to surrender its trade and revenues as a tribute to this policy of a gigantic British-Canadian rivalry, will depend upon the character of American statesmanship.

**CANADIAN TARIFFS—THEIR INFLUENCE ON UNITED STATES RAILROADS,
SHIPPING, ETC., ETC.**

A statement of the changes in the Canadian tariff, since July 6, 1866, as required by the resolutions of the House of Representatives, will be found in the appendix hereto, (see B.)

It will be seen that Canada, with a view to exportation and the demands of the maritime provinces, now admits wheat and flour free of duty. She has no crop so cheap and profitable, for various manufacturing and other purposes, as corn bought from us. It is a domestic necessity with her to purchase it, as she cannot produce it so cheaply as she can buy it, and any duty levied by her upon wheat and corn, our two staple articles of agriculture, must be paid by her people. Owing to the geological formation and the position of the most populous and rapidly-increasing portion of Canada, she will always be compelled to carry her coal from distant mines, chiefly from the United States, her own consumers paying whatever duties may be imposed on it.

A characteristic feature of the Canadian tariffs is, that although the usual rate of duty levied on textile fabrics and other manufactures is 15 per cent., the materials used in manufacturing are carefully exempted from taxation. Many articles already in part manufactured are also included in the exemptions for this purpose. This course is carried to the fullest extent in reference to shipbuilding, all articles used either in building or furnishing a ship being imported free of all duty.

A similar policy exists as to railroad iron in all its forms, to locomotives, and engine frames, and to everything used in the constructing of railways. To so great an extent are facilities for shipbuilding carried out, that such a vessel as would cost about \$100 a ton in the seaports of the United States can be made for little more than half that sum in the ports of the provinces, estimating in the currency of the United States. The influence of this great advantage in favor of provincial shipping and foreign industry over those of our own country, both in competition for inland commerce on the lakes and rivers, and for trade carried on between the two countries on the coast, and with all regions beyond the sea, deserves grave attention; and the concessions made in the same way to provincial lines of railroads, also competing with our own, are scarcely less worthy of consideration. The coasting trade of the British provinces has never been conceded to the vessels of the United States. Foreign ships might go from one colony to another, but even this limited privilege is now taken away by the confederation of the British North American provinces. The imperial act 16 and 17 Victoria, chapter 107, section 163, is as follows:

"No goods or passengers shall be carried from one part of the British possessions in Asia, Africa or America, to any other part of the same possessions, *except in British ships.*"

Some years ago, in my report to Congress, referring to the successive and successful legislative efforts of Canada to divert and control our commerce, the origin of this evil and the injury to our industrial interests were pointed out as follows:

"In the profits accruing from freight between the two countries, the advantage, since the treaty, has been in favor of British shipping, the value of exports and imports by the vessels of each country being regarded as the test. In the five years ending June 30, 1854, the value of domestic exports to Canada in British bottoms was \$12,595,816, and in American bottoms \$16,595,816, the preponderance in our favor being about one-third; whilst in the five years since the treaty, and beginning with July 1, 1854, there was an excess against us of nearly one-half, the value being \$26,330,720 in American vessels, against \$38,942,652 in vessels of British nationality. No marked inequality exists in the imports of the United States by the shipping of both countries, the value carried by them respectively, \$37,223,665 in American, and \$36,528,968 in foreign vessels.

"In this competition of shipping, American ship-owners ran a race in fitters. The staple manufacture of Canada has long been that of ship-building for exportation. A cheap and abundant supply of labor for this purpose is obtained at Quebec during the long winter suspension of navigation; and the value of ships built there for sale in foreign markets exceeds by many times that of all other manufactured exports of Canada. This branch of industry is encouraged by admitting all the materials used in the construction, rigging, or equipment of ships, either at a nominal rate of duty or entirely free, or subject to a return of duty to the ship-builder when satisfactory proof is given that they have been used for this purpose."

The evil here exhibited has now grown into vast proportions, and is aggravated by the burdens of our own legislation. It is becoming as disastrous to our foreign commerce as the armed ships of Great Britain under rebel flags were to our merchant marine during the late rebellion. Heretofore the ship-owners of England and other commercial nations bought our vessels, which were seen on every sea, and sailed under the flag of every nation. The practical consequences of our legislation are well stated in the following "Address of the Ship-builders and Ship-owners' Association of Maine:"

"It has been intimated, and the proposition has been seriously entertained in high and influential places, to repeal our navigation laws and admit all foreign-built ships to American registry! Is not this a sufficient inducement to bestir ourselves, and at once lay before Congress the reasons why that should not be done? Should we not show them that this will be a great national disaster, and more ruinous to one of its members than the hurricanes and earthquakes which have of late so severely afflicted other regions. The Philistines, with a view to keep the Jews in perfect subjection to them, took away their artisans, so that 'there was no smith found throughout all the land of Israel.' And were they not wise? What more perfect device could be employed to keep a people in subjection than to take from them their skilful workmen? And is not this just what this proposition amounts to? Our shipwrights would be drawn away to the new British dominion, and all their skill employed to add to the wealth and arrogance of that power which has inflicted upon us such deadly injury. Is the American nation willing to aggravate that power to the ruin of itself, and present to the world the humiliating spectacle of relying on other nations for its ships, while it possesses more abundant means for their construction than any other nation whatever, and might, but for its own unwise legislation, be the great source

of supply to all nations? Were this policy carried out, the immediate effect would be the continued silence of our ship-yards, the transfer of our shipwrights to foreign countries."

What is true of Maine can be well said by the people of every frontier State upon our 6,000 miles of river and lake coast, especially if Congress should repeal "our navigation laws and admit foreign vessels to American registry."

Our lake marine and our railways now have to compete with British-Canadian carrying systems, constructed at half the cost of their American rivals. Admit Canadian vessels to registry and the asserted ownership will be nominal. Their admission will be equivalent to the repeal of the navigation laws, permitting foreign vessels to coast or carry goods from one port in the United States to another, as Canadian railways are allowed to transport from one inland port in the United States to another, under a very liberal authority. It would then be said everywhere on our inland shores, as it is now said in Maine, that "our ship-yards are idle, and grass has grown where formerly was the busiest tread of our workmen."

Already, estimated by tonnage, the American vessels employed on the ocean have been reduced from 1861 to 1867 more than one-half. Few, perhaps, adequately appreciate the value of our inland shipping, or are cognizant of the fact that its tonnage now exceeds, or is considerably more than double that of the shipping employed in foreign trade. If the coasting trade should be thrown open to British-Canadian rivalry, the inland shipping, the last remaining object of honorable pride to our navigation, would soon be driven from our inland seas, through the methods which have already reduced our ocean-going vessels to less than one-half of their former number, and continue to diminish them.*

Only by adopting the principle of exempting from duty, or allowing a drawback upon all articles used in the construction of ships, can our former naval prosperity be restored. The same principles should also be extended to all our means of inland transit. By this course transportation of our great staple products would be cheapened, and our exports be enabled better to compete in foreign markets, thus aiding materially in turning the actual balance of trade in our favor.

The whole modern scheme of British-Canadian internal improvements, with their ingeniously-contrived tariffs, originated in a perversion of the freedom conceded to the trade and commerce between the two countries, by the adoption of the reciprocity treaty. Without such concessions British capital never would have found investment in the immense public works of Canada; nor could those rival carrying systems to-day find any important support, except upon the basis of our bonded system, the warehousing act of 1854, and the most liberal construction of the act of

* The distinguished commercial representative from the city of New York, in his speech, in international convention at Portland, said, "That the inland commerce of a country is vastly more important to that country than its foreign commerce. The very element of prosperity in foreign commerce is domestic commerce. (Applause.) The commerce which sails upon your lakes—Ontario, Erie, Superior, Michigan—and which sails upon your canals, is in value four times that of the commerce which is borne in ships from the seaports of this country to the old world." (Applause.)

Mr. Nimmo, chief of the tonnage division of the Treasury Department, estimates that the inland commerce of the United States is about *seven times* as great as the commerce between the United States and foreign countries (other than the British Possessions of North America) in American vessels; and about *three times* as great as the foreign commerce of the United States in both American and foreign vessels.

He also states that during the five years ending June 30, 1868, only 39 per cent. of the aggregate tonnage entered at ports of the United States from foreign countries was in American vessels; the remaining 61 per cent. have been in foreign vessels.

1799, permitting the transit of foreign and domestic goods, first through our territory, then through Canada, and afterwards to their ultimate destination in this country.

The privilege was accorded to Canadian railways to carry foreign or American merchandise from one part of the United States to another, while the navigation act of 1817 prohibited the carriage of the same property by foreign vessels from one port to another port in the United States. It should be remembered that the same facilities enjoyed by Canadians over our citizens in ship-building also inure quite as fully to their advantage in the construction, operation, and repairs of railroads, and that competition between lines on the different sides of the national boundary is not merely a question of distance, about which no just doubt can be raised, but also of cheap construction; and to aid in this direction, the Canadian has not only labor comparatively untaxed, but also a plentiful supply of untaxed timber and untaxed iron in all requisite forms.

Further investigation of this branch of the subject is now omitted, as the instructions from you dated March 27, 1868, directing me to inquire into the workings of the regulations of the Treasury Department, so far as they relate to the northern frontier, are more fully considered in a supplementary document, showing the superior advantages thus enjoyed by the Canadian railways in competition with our own.

ESTIMATE OF THE ST. LAWRENCE ROUTE.

As an explanation of the partial character of the treaty in not providing for a really reciprocal exchange of the products of labor, it is often urged that the admission to the St. Lawrence and its canals compensated for the deficiency. If with the advantages conferred upon our territory by nature, we cannot on a footing of just equality maintain the superiority of our transit system, we ought to succumb; but an impartial examination discloses the fact that while the navigation of Lake Michigan, granted to the Canadians by the treaty, has been of much benefit to their shipping, which by its cheapness drives our own heavily taxed vessels out of the field, those have been greatly mistaken who imagined the St. Lawrence would prove a great highway from the west to the ocean.

COMPARISON WITH THE AMERICAN ROUTE—NATIONAL CANAL POLICY OF NEW YORK.

As the navigation of this river was one of the supposed equivalents granted to us by the treaty, its real value becomes an important subject of investigation. Beyond this it cannot be alleged that Canada has any equivalent to give us for the advantages of our markets. Hence a comparison between that route and the connecting line between the lakes and the ocean through our own country is an essential portion of the answer to the inquiries submitted to me. Nor can consideration of the terms on which the use of the great American canal is enjoyed by the public be properly omitted, as that work is the chief competitor with the Canadian lines, and we depend upon it for the maintenance of commercial supremacy in competition with Canada.

No other work of equal magnitude is known to us, except the canal of Languedoc, by which, two centuries ago, Louis the XIV, known in history as the "Grand Monarque," the most magnificent sovereign who ever occupied a throne, connected the Mediterranean sea with the Atlantic ocean. The policy adopted by the enlightened statesmen who projected both these great works was alike. That of the State of New York was so far to improve the geographical advantages of our position as to pass

through our territory the then undeveloped commerce of the west, and gradually to improve these facilities to such a degree as would be necessary to meet the requirements of the growth. Statesmen did not at first foresee the future importance of their work as the means of international communication across the continent, but they recognized the wisdom of Louis XIV through Colbert, his profound and sagacious financial minister, in relation to the tolls on public canals or national highways. This formed a noble precedent for the policy adopted by those wise and venerated benefactors to that State and the nation as to our chief thoroughfares. The French monarch placed the tolls on his great work at so low a rate as to be only an adequate compensation to Reque, the engineer, for keeping it in a good, navigable condition. This policy was adopted not so much with a desire for the welfare of the French people as from the more selfish but enlightened motive of raising the greatest amount of revenue. The king was justified by the results, and found that if considered solely as a question of financial policy for his exchequer, it was better to tax wealth only when it had accumulated, and not to arrest industry in the work of production or in the cheap and profitable exchange of commodities.

In every just apportionment of taxation the increase of taxable wealth decreases the burden upon the individual and the masses. All eminent writers on political economy confirm the belief that whether the freedom of internal commerce and industry be interrupted by impassable mountains and swamps, or by oppressive tolls or restrictions, the effect is equally pernicious.

When she entered the Union the State of New York relinquished that part of her revenue which was derived from duties or taxes on foreign commerce. In the same spirit of true union the national character of the canal was fully recognized from the beginning; and the State, declining to tax inland commerce, never used the tolls levied upon transit, except to repay the cost of making the canals and of maintaining them, thus granting facilities to the transit of western productions at a time when she possessed a monopoly of the inland trade, and practically recognizing the right of free way through her territory, as a right of nature which could not justly be withheld from the States of the interior. The leaders of public opinion in the State, without distinction of political party, now adhere to the view thus early adopted. They seek by the development of mutual and material interests to strengthen the bond of union between the States.

Much of the value attributed to the navigation of the St. Lawrence has arisen from the traditional estimates placed upon it when no other line of communication by water connected the great lakes with the ocean. The Hudson penetrated far toward the inland seas, and thus dictated the site of the commercial metropolis of the Union. But beyond the navigable portion of that river transit was difficult, and its cost so great as to be prohibitory. In this condition of affairs the minds of the early settlers in the then "far west" naturally turned to the exit afforded by the magnificent river fed from the great lakes. If at that time the banks of the lower St. Lawrence had been occupied by people animated by the enterprise and foresight of commercial life, and if the State of New York had not then numbered among her citizens men of a comprehensive sagacity never surpassed, and combined with statesmanlike intrepidity and perseverance no less remarkable, the St. Lawrence might have become the great thoroughfare from the western States to the Old World; our national trade would for a time have been deflected northwards, far beyond the boundaries of the New England States. Montreal would

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have taken precedence of New York. The whole commercial condition of the continent might have been temporarily changed, and the trade and manufactures and shipping of Great Britain would have been fostered and promoted to the same extent as the progress of our own would have been impeded. At the time when they were needed, men worthy of the occasion opportunely arose among us. They appreciated the momentous importance of having the commercial metropolis of the continent within our own domain; saw the significance of the great valley through the interior of the State; understood the geographical nature of the continent, and the finger of destiny did not point in vain at the only portal in the Alleghany mountains, through which the waters of the lakes and their commerce are now practically conducted to the mouth of the Hudson, with immense profit to the nation in every department of its industry.

The undertaking thus initiated had so much influence upon our commercial relations with Canada in the past, has now, and must have more in the future, if a wise and liberal policy is adopted by the general government, that a brief historical reference to the views of its founders, and the principles in which their successors have been governed, faithfully indicate what that policy should be.

In 1808, when discussions as to the Erie canal first assumed the form of definite action in the legislature of the State of New York, all minor and selfish interests were patriotically regarded as subordinate to the national welfare. The legislature itself, voluntarily renouncing the advantages of geographical position, except in participation with the other States of the Union, confidently expected aid from the nation at large, and passed an act "causing an accurate survey to be made for the most eligible and direct *route* for a canal to open a communication between the tidewater of the Hudson river and Lake Erie, *to the end that Congress may be enabled to appropriate such sums as may be necessary for the accomplishment of that great national object.*"

On the 8th of April, 1811, a further act was passed. The comprehensive objects expressed in its preamble were by means of a canal navigation between the great lakes and the Hudson river, to "encourage agriculture, promote commerce and manufactures, and facilitate a free and general intercourse between the different parts of the United States, tending to the aggrandizement and prosperity of the country, and to consolidate and strengthen the Union."

Clinton, Morris, Fulton, and others, were appointed commissioners for the consideration of all matters relating to the proposed inland navigation. They were empowered to make application in behalf of the State to the Congress of the United States, or to the legislature of any State, to co-operate in the undertaking. It was not believed that a work so universal in its benefits would be left to the isolated efforts of a single State.

During the presidency of James Madison the commissioners thus delegated proceeded to Washington and presented the application to Congress. The President made their proposals the subject of a special message, dated December 3, 1811, recommending the proposed undertaking for its national as well as its military objects, and suggesting the adoption of whatever steps might be necessary to insure its accomplishment. At the request of Albert Gallatin, then Secretary of the Treasury, Clinton, Morris, and Fulton drew a bill, in effect, appropriating \$8,000,000 for the work, and embodying the memorable words: "*On condition nevertheless that no tax, toll, or impost shall be levied upon the passage of boats through the said canal, other than such as may be needful to pay the annual expenses of superintending and keeping it in repair.*"

The bill, together with the special message of the President, was referred to a large committee and was favorably received. Gallatin, the Secretary of the Treasury, in answer to a letter from the committee, urged their favorable action upon considerations of the wisest statesmanship and purest patriotism; but as expectation, verified by subsequent events, was held that a rupture with Great Britain was impending, Congress finally declined to make the appropriation at that time, on the ground that "the resources of the country might be required to support a war."

The commissioners marked their sense of the refusal to grant aid to a national object no less important in war than in peace by saying, in the conclusion of their report to the legislature:

These men console themselves with a hope that the envied State of New York will continue a suppliant for the favor and a dependent upon the generosity of the Union, instead of making a manly and dignified appeal to her own power. It remains to be proved whether they judge justly, who judge so meanly of our counsels.

Congress having told the New York statesmen to wait until the war was over, they replied that they would not wait; that "delays were always the refuge of weak minds." In the current language of those days they called the work "the grand Erie canal," appreciating the sublimity of the beneficent changes it would produce in opening out for immigration and the use of mankind an area of fertile land greater in extent than the narrow edge of the continent occupied by the leading nations of the Old World, more clearly in the confidence of their well-founded hopes than we do now who look at their realization as a fact accomplished long ago.

After the postponement of aid by Congress, applications were made to the legislatures of different States; several of them returned favorable answers, but the war with Great Britain having begun, little progress was made.

On the 10th of November, 1816, De Witt Clinton, as president of a board of commissioners, appointed the previous year, renewed the application to the government of the United States, and on behalf of this State he represented, again bore significant testimony to the lofty purity of her motives in seeking her own interest only by promoting the national welfare. He said:

The State of New York is not unaware of her interests, nor disinclined to prosecute them, but when those of the general government are concerned and seem to be paramount, she deems it her duty to ask for their assistance.

Finding that all her efforts to secure aid from other States or the general government were unavailing, the State of New York alone and with the slender resources of those days resolved to commence the gigantic undertaking. Even then she persevered in rejecting considerations merely selfish. Her commissioners repudiated the idea of a "transit duty" to be levied for the advantage of the State, and said this would be "the better course if the State stood alone, but fortunately for the peace of the Union this is not the case. We are connected by a bond which, if the prayers of good men are favorably heard, will be indissoluble."

The act inaugurating the construction of navigable communications between the great western and northern lakes and the Atlantic ocean was passed by the State, April 15, 1817, and was based upon an important memorial presented to the legislature by the leading merchants and men of influence in the city of New York. It stated that—

Whereas navigable communications between Lakes Erie and Champlain and the Atlantic ocean, by means of canals connecting with the Hudson river, will promote agriculture and manufactures, mitigate the calamities of war, and enhance the blessings of peace, consolidate the Union, and advance the prosperity and elevate the character of the United States, it is

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the incumbent duty of the people of this State to avail themselves of the means which the Almighty has placed in their hands for the promotion of such signal, extensive, and lasting benefits to the human race.

Having originally taken upon herself whatever there might have been of risk in making at her own unaided cost a channel of cheap communication by water between the citizens of the eastern and western States, and between those of the west and the great highway of the world, the State of New York, from patriotic motives, continues to be the great regulator of the cost of transit between the east and west, protecting no small proportion of the people of the Union against those extortionate charges which might have been levied if the canal, with its natural monopoly of position, had fallen into the hands of speculating individuals or companies. It is computed that during the six months of navigation the canal alone carries as large a tonnage of freight as the five chief trunk railroads from west to east during the whole year, at half the cost to the public, being a saving annually, in transportation by water, to the great consuming and producing classes of the northwest-ern and eastern States of \$36,580,000.

The average cost from Chicago to New York via the lakes, the Erie canal, and the Hudson river, including canal tolls and carriers' profits, embracing a period of 10 years, is \$7 66 $\frac{1}{2}$. The cost of transportation on the Central railway, as given in annual reports, taking the average for six years, is one cent four mills and nine-tenths of a mill per mile, not including carriers' profits. This average applied to the distance from \$6 65.1 more per ton than the average cost for a period of 10 years via Chicago to New York by rail, 988 miles, makes \$14 31.6 per ton, or the lakes, the Erie canal, and the Hudson river, including State tolls and profits of carriers. The through freight moved eastward by the five trunk lines and the Erie canal is about, in round numbers, 5,500,000 tons, which, if multiplied by \$6 65.1, the difference before mentioned, would make a difference between rail and water transportation of all carried by either method of \$36,580,500, and with the profits of the railway companies added to the actual cost would augment this amount largely.

RIGHT OF WAY THE RIGHT OF THE MILLION.

There is no withdrawal from the original doctrine of the State that the canal should be considered as a trust from which the State should receive back simply what it advanced for construction and maintenance, and employ the surplus for the improvement of the work and cheapening the service it renders to the public. Such were the views held at the constitutional convention of the State in 1867,* when the principles enunciated in 1846 by its master spirit, Michael Hoffman, were quoted, reiterated, and approved by the leading men on all sides. He said:

The right of way is the right of the million. The sovereign holds it in trust, and can exercise it only for their benefit, and has no right to make a revenue out of it. Such a course must engender the worst oppression and the worst corruptions, and soon realize the worst vices of the worst governments—taxation on all we consume, which will allow nothing to go to or from the markets without tribute to the State.

NATIONAL CHARACTER OF THE CANAL.

The truly national character of the work and of its value is shown by the fact that the commerce passed over it and belonging to the people of

* Evarts, Tilden, Church, Corning, Opdyke, Dr. Dwight, professor of international law, in Columbia College, Brooks, Murphy, Eustiss, Cassidy, Clark of Rochester, and others, members of the New York constitutional convention in 1867, repudiated the idea of taxing commerce upon the canals, maintaining that only tolls should be levied to pay for construction and repairs.

its own State is only one-ninth of the aggregate, the remainder coming from the western and central States, or Canada. The State of New York does not furnish as large an amount of tonnage for the canal as is supplied by either Michigan, Illinois, or Wisconsin, singly. No less conclusive is the testimony of half a century as to its unequivocal success, present value, and certainty of the continued increase of its trade.

The magnitude of the present annual productions of the States bordering on the lakes is not entirely unknown to the public; but few know how fertile is the soil and genial the climate of the vast areas to the northwest of Lake Superior, soon to become settled and increase that yet undeveloped commerce of the lakes which will pass through our own territory, enrich our merchants, employ our own people, and aid in diminishing our national burdens, if we are true to our own just interests and are faithful stewards of the public trust committed to our charge.

Already the average annual income of the canal, after deducting all expenses, is \$3,000,000, carefully applied to the extinction of the debt incurred by the construction. At the present rate of income, not computing its prospective increase, the debt will be wholly discharged in eight years. Subject to the existing lien on it the canal could now be readily sold for at least \$50,000,000.

It has been seen that in the rivalry between the carrying systems of the St. Lawrence river and the Erie canal, or Hudson river, the route through our own country is incomparably the most successful competitor, affording, even to a large proportion of the Canadians themselves, the best means of communicating with Atlantic ports and the world at large. Yet it is said that with certain enlargements of her canals the St. Lawrence would bear away the palm of victory, and British-Canadian capitalists are urged to invest in the doubtful experiment. A sum small in comparison with the present cost of the Erie canal, expended in judicious improvements upon it so as to permit the passage of boats of a greater size, would reduce by one-half, or 50 per cent., the present cost of transportation on it. A similar saving has been actually effected by similar means already applied, and competent engineers and statisticians bear testimony to the repetition of equal results from further improvement.

PROPOSED IMPROVEMENT OF THE CANAL AND ITS NATIONAL RESULTS.

Under the liberal system hitherto adopted by the State of New York, this reduction in the cost of freight would inure to the benefit of the western farmer by practically diminishing distance between him and the consumer in the cities and manufacturing districts in the east, and our customers throughout the world. The State, after all her expenditures, is yet only the friendly channel or medium between the producer and consumer, and is interested for her own citizens only so far as they constitute a part of the whole people of the Union.

In a previous report the attention of Congress was called towards securing the realization of the proposal of the State of New York (still embodied in a law) to adapt the Erie and Oswego canals of that State to the military uses of the national government. To attain this object only a small sum is necessary compared with that required to overcome the natural obstacle of Niagara Falls. The desired result could be attained in one-third the time and at one-third of the cost necessary for the completion of any practical work that could carry the line of trade round the falls. Nor would the adaptation of the New York canals to the uses proposed be only an experiment, costly in expenditure of time and money.

Impressed with these considerations, and the fact that applications are now entertained by Congress for the grant of large national aid to open new commercial channels and improve old ones from the west to the seaboard, it is respectfully submitted, as a measure of sound political economy, regarding the national wealth and the revenue to be derived from it, that such aid as may be necessary for the judicious improvement of the Erie canal to its maximum capacity for transportation, so as to enable it to carry expeditiously and at the lowest practicable cost such freight as may be brought to it, shall be granted by the general government of the United States, provided the State of New York shall, at the same time, pledge its faith by a simple law, embodying in substance the traditional policy expressed by Clinton, Morris, and Fulton, that after the cost of the canal has been paid no tax, toll, or impost shall be levied upon the passage of boats through the said canal other than shall be needful to pay the annual expense of superintending and keeping it in repair; thus completing a free national channel of inland navigation extending 1,500 miles to the centre of the continent, and practically carrying out the most important feature of the Constitution, by establishing free trade and free commerce between the States.

In the presence of these historical reminiscences and commercial and financial considerations, it may now be well asked if the time has not arrived when the general government should not adopt the policy advocated by Madison, Gallatin, Clinton, Morris, and Fulton, by extending its strong arm and taking "the vexed question" of the improvement of this great national channel-way of internal commerce to its maximum capacity from the arena of narrow, conflicting political and local interests, and relieve the friends of a comprehensive and progressive policy in regard to it from those long and trying struggles and delays which have always preceded important improvements. Can national aid be extended to any object through which the national prosperity and revenue could be so largely increased? Should this policy be adopted, the trade and commerce of the border nation would in the future, as in the past, contribute to our public welfare, yielding to the supremacy of our national advantages, and the dominion of Canada would desist from any further unprofitable rivalry.

Had the Canadians been willing to accept the liberal privileges extended to them in the fraternal spirit they were granted, yielding to the destiny unalterably fixed by geography, climate, and the boundaries established under the Ashburton treaty, and not vainly attempted to exercise a commercial dominion (worthy of imperial ambition) over our western trade, and its transit lines to the Atlantic, they would to-day have been enjoying commercial freedom, and free access to our markets for the sale of their products, and would have been permitted to retain the advantages which the reciprocity treaty gave them by placing them on a commercial equality with the States of this Union, without being subject to any of its burdens.

Neither the trade nor the public works of any other country should be looked upon in an unfriendly spirit. It is ignoble to hold other nations back, or obstruct the chariot wheels of progress in any part of the world. We should rather seek pre-eminence by developing those national advantages in our own country which, while they promote our own prosperity, will also benefit others. The expressions of Mr. Burlingame when at the head of the Chinese embassy (he said, "We come here to seek the unification of the human family, and we trust that all will meet us in like spirit in this republic")* embody the policy we should

* Mr. Burlingame's reply to Mr. Hatch's address to the Chinese Embassy, at Niagara Falls.

everywhere endeavor to carry into effect. The official enunciation of this doctrine on behalf of the great oriental empire was an event of scarcely less importance than the departure of Columbus on his voyage of discovery to this continent. Certainly the Canadians were met in this spirit when the treaty was negotiated. If instead of this friendly policy the United States had adopted towards them the illiberal course urged by the Canadian minister upon his own country, when he said, "We must keep our own trade within and over its own channels as much as possible," we should never have conceded to her free access to our markets for all she has to sell, and left open for taxation nearly all we sell to her for her own use and consumption, or permitted the free return of products or freight to this side without payment of duty, after having passed over Canadian railroads.

The first formidable opposition, stimulated by the popular sentiment against the treaty, arose from the frequent and short-sighted renunciation, in avowal and practice, of the principle of reciprocity by the Canadians. Not only did the Canadian minister commit this error in his public utterances, but, as has been already stated, he endeavored to counteract the natural effects of the treaty by laws discriminating against us.

Higher duties were placed upon our manufactures. Laws were passed to prevent our merchants from selling to Canadians merchandise imported from other countries, and to force business to the Canadian railroads and canals; and legislative enactments were passed, interfering with the natural course of trade, and depriving our people of its just benefits. The grievance was by no means theoretical. Under the tariffs and regulations adopted by Canada the trade of our inland cities with her was destroyed, manufacturers broke up their establishments and removed to the province, and the trade of our Atlantic cities with Canada in imported goods was transferred to Montreal.

The belief, originating in these reasons and held by Congress, that the spirit and substance of the treaty of Washington had been disregarded by the legislators of Canada, led to its termination and the refusal to authorize any negotiations for its renewal. Nor have the Canadians, in proposals submitted to Congress in 1863, or at any other time, ever offered to make such additions to the free list as would fairly carry out a system of just exchange.

CONCLUSIONS.

A treaty, if thoroughly reciprocal, would include all the products of labor on both sides, or at least provide for a fair and equal exchange of them. The party selling the productions of agriculture and the forest should remove all laws preventing the sale of manufactures on the part of the other, and under the present condition of our revenue laws competition between the people of the United States and Canada can only be on equal terms when duties equal to those directly or indirectly exacted by our government from our own citizens are levied on importations the product of Canada. The same principle evidently applies to the competition of the cheaply built and untaxed railroads of Canada with those of our own country, which, through the tariffs and various methods of internal taxation, contribute largely to the revenue of the United States.

In the clear light of past experience our commercial advantages would be fairly estimated in fixing the basis for renewal of reciprocal trade. Nor could the well known fact be overlooked, that since the termination

of the reciprocity treaty foreign immigration to Canada no longer stops there, but passes on to the States. If the value of the foreign labor immigration is correctly estimated by the Commissioner of Internal Revenue, in his recent able report, (and who doubts it, when our vast undeveloped resources, with our opportunities for their development, are considered?) there are now millions of dollars added annually to our national wealth from this source of productive industry. The very large amount of revenue, too, now not less than seven millions of dollars, annually derived from Canadian productions without diminishing their importations, deserves and must receive grave thought in any future negotiation between the United States and the new dominion. So, also, will the advanced condition of many manufactures in Canada, originating in the unfair advantage taken of the freedom accorded to her by the treaty.

Instructed by the lessons of the past, and a knowledge of our present financial requirements, a treaty so much desired by Canada might, no doubt, be made so comprehensive in all its details that neither party could be mistaken as to its results, or be capable of evading its spirit or substance; or our future intercourse might be left where it now is to reciprocal or independent legislation, to be changed from time to time as the varying interests of our domestic or international relations or the violation of reciprocal obligation might require.

ISRAEL T. HATCH.

Hon. HUGH McCULLOCH,
Secretary of the Treasury.

APPENDIX A.

The following are the extracts from statements made by the collectors at the leading offices where the revenues are now collected on the northern frontier:

“OGDENSBURG, August 3, 1868.

“The supply and demand in the United States is so much larger than in Canada, that importations from there affect our markets but little.

The following articles are not, in my opinion, imported from Canada in sufficient quantities to affect our markets: Butter, cheese, eggs, wheat, rye, oats, barley, and beef cattle. Our importations of these articles are so small, compared with our productions and with our exportations, that we can be affected but little by the supply from Canada.”

“PLATTSBURG, June 8, 1868.

“I submit the following statement as an illustration applicable very generally to all importations made into this district. This past spring large quantities of potatoes have been imported into this district, and the duty of 25 cents per bushel, gold, paid by the Canadian seller or exporter, as the sale has generally been perfected on the United States side of the boundary line, duties paid. The American speculator buying at such prices as to successfully compete with sellers in the Boston market, does the consumer of the imported potatoes pay the duty to the United States when he purchases the potatoes at the same price that another pays for the American product? If the Canadian cannot export his goods at a profit, or the speculator cannot buy in the foreign market and pay the duty at a price that he can sell at in the American market at a profit, he does not purchase. The same can be said in relation to grain, and in fact of nearly all importations into this district.”

"CLEVELAND, October 20, 1868.

"The chief articles of importation at this port are lumber and barley. The lumber market here is entirely controlled by the Saginaw market, and Canadian markets do not in the least influence us. The Canada market, to a great extent, is controlled by American markets, and the result is that the Canadian producer has to conform his prices to our market figures here; this virtually makes the Canadian pay the duties on foreign merchandise imported here, as he is compelled to sell his goods so as to enable the importer to pay the duties, and still not overshoot the American market. As the demand in Canada is not equal to the production, the producer is compelled to look to a foreign market for sale of his merchandise, and for this reason he must necessarily regulate his prices by that market to sell. The purchaser in buying always makes allowance for the duties, and the Canadian in his sales deducts the amount, and thus in reality pays the duty himself."

"OSWEGO, July 23, 1868.

"The effect of the abrogation of the reciprocity treaty, in my opinion, has been the addition of several millions of dollars to the United States revenue, at the expense of our Canadian friends.

"There never appeared to me to be any true reciprocity in it, but rather the payment of a very large sum to them for something that was of little benefit to us. As it now is, the import duty is paid by the Canada producer or manufacturer, and not by the American consumer. Any reduction in the rate of duties on importations from Canada would benefit them just so much, and would not lower the market value here."

"BUFFALO, December 18, 1868.

"The termination of the treaty of reciprocity between the United States and the Canadian Provinces, and the subsequent imposition of duties under the tariff enactments on articles of importation, has been a source of large revenue to the United States government, the burden of which has been borne by the foreign producer or manufacturer, and any abatement or reduction of rates would, of course, redound to the advantage of such producer or manufacturer, and would not tend to reduce the value of the article imported in this market. Our market establishes the price, or rather limits the same, for such products or manufactures as come into competition with home products or manufactures; and while the rates of duty under the tariff, on some articles, amount to a prohibition, as articles of general traffic; and while other articles much needed are admitted duty free, still the bulk of the importations into this district from our neighboring foreign soil are of such a nature as that they enter into competition with the products of our own soil, and any rate of duty established on such articles of importation must necessarily fall upon the producer."

APPENDIX B.

CANADIAN TARIFFS.

A conspicuous point of difference in recent Canadian tariffs, compared with the tariff of 1859, is a general reduction of five per cent. in the duties on manufactures.

The latest changes in the Canadian tariff were assented to in May,

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1868, and enforced from April 29, 1868. The duty of 15 per cent. is yet usually levied on manufactures, with special exceptions, of which the character may be seen on perusal of the accompanying list. Important changes have been made in many articles used in and on railroads. In 1859 a 10 per cent. ad valorem duty was levied on railroad bars, frogs, wrought iron and steel chairs, locomotive and engine frames, axles, and apparently all articles made of iron and used in making railways or railway locomotives and cars, &c. All these are now admitted free of duty. Among other articles charged with 10 per cent. duty in 1859, but now entirely exempt, are anchors, metallic tubes, copper in bars, bolts or sheets, &c., and other articles used in and about shipping and railroads.

The free list under the tariff of 1868 is very extensive and includes flour, corn meal, and grain of all kinds. There is a moderate duty on animals; and export duties on sawlogs, &c., repealed by the act of 1867, are now not only revived but increased.

The following is a statement of recent changes in Canadian tariffs, and of the duties on leading articles, especially with reference to American interests:

| Articles. | Act of May 11, 1868. | Act of Dec. 21, 1867. |
|--|--|-----------------------|
| Animals: | | |
| Horses per head. | \$15 00 | |
| Horned cattle. do. | 10 00 | |
| Swine do. | 2 00 | |
| Sheep do. | 1 00 | |
| Butter per pound. | 04 | \$0 04 |
| Cheese do. | 03 | 03 |
| Cigars, not over \$10 per M. | 3 00 | 3 00 |
| Cigars, over \$10 and under \$20 per M. | 4 00 | 4 00 |
| Cigars, over \$20 and under \$40 per M. | 5 00 | 5 00 |
| Cigars, over \$40 per M. | 6 00 | 6 00 |
| Fish, smoked or salted per pound. | 01 | 01 |
| Lard and tallow do. | 01 | 01 |
| Meats, fresh or salted do. | 01 | 01 |
| Malt per bushel. | 40 | 40 |
| Oils: | | |
| Coal and kerosene, distilled, &c. per gal. | 15 | 10 |
| Crude petroleum do. | 06 | 06 |
| Spirits: | | |
| Brandy, rum, whiskey, &c. per gal. (proof by Sykes's hydrometer.) | 80 | 80 |
| Cordials, &c. | 1 20 | 1 20 |
| Sugar and confectionery | 25 per cent. and specific duty of from 1 cent to $\frac{1}{2}$ cent per lb | Formerly specific. |
| Perfumery, fancy soaps, proprietary medicines, &c. | 25 per cent. ad valorem. | Same as now. |
| Leather, sole and upper. | 10 per cent. | Same as now. |
| Books, (generally). | 5 per cent. | Free. |
| Iron, (certain kind). | 5 per cent. | Free. |
| Type. | 5 per cent. | 15 per cent. |
| Tobacco, (manufactured,) except cigars, and including snuff. | 5 per cent. and specific of 15 cents per pound. | |
| Rice. | 15 per cent. | Free. |
| Wines. | 20 per cent. and specific of 10 cents per gallon. | Formerly specific. |

The free list is very extensive, including drugs, dye-stuffs, paints, (dry used in manufacturing.

Certain manufactures and products of manufactures are admitted free of duty, with a view to the encouragement of other manufactures, ship-building, railroads, &c. Several of these articles, heretofore charged with duty, are now exempt.

FREE—(Act of May, 1868.)

Anchors.

Bolting cloth.

Cotton wool.

Duck for belting and hose.

Felt for hats and boots.

Fire engines, (steam,) imported for use of municipalities.

Machinery, (with exceptions.)

Metals :

Brass—bar, rod, sheet, and scrap.

Crank for steamboats, forged in the rough.

Crank for mills, forged in the rough.

Copper—in pig, bars, rods, bolts, and sheets, and sheathing.

Iron of the descriptions following :

Scrap, galvanized, or pig.

Puddled, in bars, blooms, and billets.

Bolts and spikes, galvanized.

Locomotive engine frames, axles, cranks, hoop iron or steel for tires of wheels, bent and welded.

Locomotive crank axles, piston-rods, guide and slide bars, crank pins, connecting rods. Lead in sheet or pig.

Litharge.

Railroad bars and frogs, wrought iron or steel chairs, wrought iron or steel fish plates, and car axles.

Shafts for mills and steamboats, in the rough.

Spelter, in blocks, sheet or pig.

Steel, wrought or cast, in bars and rods.

Steel plates cut to any form, but not moulded.

Tin, in bar, blocks, pig, or granulated.

Tubes and piping, of brass, copper, or iron, drawn.

Type metal in blocks or pigs.

Wire, of brass or copper, round or flat.

Yellow metal, in bolts, bars, and for sheathing.

Zinc, in sheets, blocks, and pigs.

Nails, composition or sheathing.

Oakum.

Painting inks, and presses, except portable hand-presses.

Prunella.

Plush, for hatters' use.

Rags.

Ships' binnacle lamps.

blocks and patent bushes for blocks.

bunting.

cables, iron chain, over half an inch, shackled or swivelled, or not.

compasses.

dead eyes.

dead lights.

deck plugs.

knees, iron.

masts or parts of, iron.

pumps and pump-gear.

riders, iron.

shackles.

sheaves.

signal lamps.

steering apparatus.

travelling trucks.

wedges.

wire rigging.

And the following articles, when used for ships or vessels only, viz :

Cables, hemp and grass.

Cordage.

Sail-cloth or canvas, from No. 1 to No. 6.

Varnish, black and bright.

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"Natural products" generally are admitted free of duty under the act of May, 1868, many lower duties having been repealed. Among them are:

Broom corn.
Coal and coke.
Eggs.
Flour, wheat, and rye.
Fire-wood.
Fish, fresh, (not excluding oysters, &c., in cans or kegs.)
Furs, (undressed.)
Grain, of all kinds.
Hay.
Hemp, (undressed.)
Hides.
Hops.
Horns.
Indian meal.
Roots.
Salt.
Seeds.
Tar and turpentine, (except spirits of turpentine.)
Trees.
Vegetables, (culinary.)
Wood of all kinds, (unmanufactured.)
Wool.

EXPORT DUTIES.

| | |
|---|--------|
| Shingle bolts per cord of 128 cubic feet..... | \$1 00 |
| Stave bolts per cord of 128 cubic feet | 1 00 |
| Pine and oak logs per 1,000 | 2 00 |
| Spruce logs per 1,000..... | 1 00 |

